STATE OF CONNECTICUT

INSURANCE DEPARTMENT

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Testimony of the Connecticut Insurance Department

Before the

Insurance and Real Estate Committee
Human Services Committee
Public Health Committee

Monday, February 14, 2011

H.B. 6323—An Act Making Conforming Changes to the Insurance Statutes Pursuant to the Federal Patient Protection and Affordable Care Act, and Establishing a State Health Partnership Program

The Connecticut Insurance Department appreciates the opportunity to offer the following comments and concerns on HB 6323—An Act Making Conforming Changes to the Insurance Statutes Pursuant to the Federal Patient Protection and Affordable Care Act, and Establishing a State Health Partnership Program. The Insurance Department's comments are related to Sections 1 through 11 of the bill. Deputy Commissioner Jeannette DeJesus, of the Department of Public Health, will be addressing the Administration's concerns regarding those provisions of the bill related to the establishment of an Insurance Exchange.

The Insurance Department recommends the deletion of Section 6 of HB 6323. This section modifies requirements solely for Connecticut's high-risk pool, the Health Reinsurance Association, and not the general insurance market, which may be the actual intent of the bill. The Health Reinsurance Association does not meet the federal definition of a health insurance issuer so is not subject to the requirements of the Patient Protection and Affordable Care Act (PPACA). The changes of Section 6 will simply increase the already high premiums for the existing high-risk pool plans. The individuals covered under these plans may have no other options should the premiums become unaffordable.

Section 10 of HB 6323 changes the definition of the Medical Loss Ratio (MLR) for purposes of the Managed Care Report Card and disclosure to individuals and groups at the time of application for an insurance policy. The federal definition of MLR is only for rebate purposes and is based on an insurance carrier's entire block of business for that market segment. It would be more accurate and appropriate for individuals and groups to know the MLR for their specific plan design rather than for the entire block of business. Using the federal MLR definition in this context will lead to an artificially inflated value being reported and will not provide as accurate a picture of the percentage of premiums that are paid for medical benefits since certain taxes and expenses for the overall company would be included as claims. The Department, therefore, recommends that the MLR definition currently used in section 38a-478l not be changed.

Section 11 reflects some, but not all, of the PPACA conforming language the Connecticut Insurance Department recommends be adopted. Specific language has been omitted that would preserve state law where state protections are better. This could result in individuals losing existing protections where state law is more favorable than PPACA. To avoid any loss of protection, the following language should be added:

"No provision of the general statutes concerning a PPACA requirement shall be construed to supersede any other provide of the general statutes except to the extent that such other provision prevents the application of a requirement of PPACA."

The Department requests the adoption of the language outlined above which is modeled after s. 38a-476a, compliance with the Health Insurance Affordability and Accountability Act (HIPAA), relating to guaranteed renewability of individual health insurance coverage. The Legislature adopted this statute in 1997 to ensure that specific carriers were in compliance with HIPAA provisions, that the Connecticut General Statutes were not superseded by HIPAA when our laws were more protective of the public, and that the Connecticut Insurance Department had authority to enforce HIPAA and adopt regulations.

The Connecticut Insurance Department appreciates this opportunity to provide comments on HB 6323 and looks forward to working with the committees on this initiative.